



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)
) ORDER NO. D05-420
COMMONWEALTH INSURANCE)
COMPANY OF AMERICA,) CONSENT AND ORDER
A Domestic Stock Insurer) IMPOSING A FINE
)
)

COMES NOW the Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.02.080 and RCW 48.05.185, and having reviewed the official records and files of the Office of the Insurance Commissioner, makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. Commonwealth Insurance Company of America ("Commonwealth" or "The Company") holds a Washington Certificate of Authority as a domestic stock insurer.
2. The office of the Insurance Commissioner ("OIC") conducted a market conduct examination of The Company as of December 31, 2003. The examination included areas of agent activities, complaints, underwriting and rating, rate and form filings, cancellations and non-renewals, and claim settlement practices.
3. The report on the market conduct examination of The Company was adopted by the Insurance Commissioner by Order Adopting Report of Market Conduct Examination No. G05-4 entered on February 8, 2005, which order is final. This report contains the violations enumerated below.
4. RCW 48.05.191(1) requires that every insurer shall conduct business in its own legal name. *See, also*, Technical Assistance Advisory T2000-06. Thirty two claim files and one policy were found to contain documents and correspondence that did not identify the insuring company and/or that used the name of the parent company.
5. RCW 48.18.100(1) provides that no insurance policy forms (with certain exceptions) may be issued, delivered or used until being filed with and approved by the Insurance Commissioner. One unfiled and unapproved form was used by The Company on three policies. Although this was considered a "manuscript" form by The Company, as the form was used

- more than once, it was no longer a manuscript and was required to be filed.
6. RCW 48.18.103(2) requires all new policy forms for commercial policies to be filed within thirty days after an insurer issues any policy using the new form. Two forms used on eighteen policies had not been filed within this time frame.
 7. RCW 48.18.290 sets forth the conditions under which an insurer may affect any interest under any cancellable policy. RCW 48.18.2901 requires insurers to renew any contract of insurance subject to RCW 48.18.290 except under certain circumstances and provides information to be given to policyholders when a policy is nonrenewed. RCW 48.18.291 and -.292 set forth the conditions under which an automobile insurer may cancel or refuse to renew a policy. The Company sent notices to four insureds that did not contain enough information to determine if a renewal offer was being made by The Company or if The Company was non-renewing the policy, in violation of these statutes.
 8. WAC 284-30-570 requires an insurer to give the true reason for its action in clear and simple language whenever the insurer is required by law to give the reason for nonrenewing insurance. The Company sent notices to seven insureds that did not give clear or complete reasons for The Company's non-renewal actions.

CONCLUSIONS OF LAW

1. RCW 48.05.185 authorizes the Insurance Commissioner to impose a fine in lieu of the suspension or revocation of a company's license.
2. The Company committed the following violations of Washington law:
 - a. The Company's use of documents and correspondence that did not identify the insuring company and/or that used the name of the parent company in thirty two claim files and one policy violated RCW 48.05.191(1).
 - b. The Company's use of one unfiled and unapproved form on three policies violated RCW 48.18.100(1).
 - c. The Company's use of two forms on eighteen policies that had not been filed with the OIC within thirty days violated RCW 48.18.103(2).
 - d. The Company's provision of notices to four insureds that did not contain the required renewal / nonrenewal information violated RCW 48.18.290, -.2901, -.291 and -.292.
 - e. The Company's provision of notices to seven insureds that did not give clear or complete reasons for The Company's non-renewal actions violated WAC 284-30-570.

CONSENT TO ORDER

NOW, THEREFORE, Commonwealth Insurance Company of America consents to the following in consideration of The Company's desire to resolve this matter without further administrative or judicial proceedings, and the Insurance Commissioner consents to settle the matter in consideration of The Company's fine on such terms and conditions as are set forth below:

1. Commonwealth consents to the foregoing Findings of Fact and Conclusions of Law as they pertain to these facts, consents to the entry of the Order and waives further administrative or judicial challenge to the OIC's actions related to the subject matter of the Order;
2. Within thirty days of the entry of this Order, Commonwealth agrees to pay to the OIC a fine in the amount of \$5,000;
3. Failure to pay the fine set forth in paragraph two shall constitute grounds for the revocation of Commonwealth's Certificate of Authority; and
4. Commonwealth understands and agrees that any future failure to comply with the statutes which are the subject of this Order constitutes grounds for further penalties which may be imposed in direct response to that further violation.

EXECUTED this 12 day of DECEMBER, 2005.

COMMONWEALTH INSURANCE COMPANY OF
AMERICA

By: Edward Hunter

Title: EXECUTIVE VICE PRESIDENT & CHIEF OPERATING OFFICER

ORDER OF THE INSURANCE COMMISSIONER

NOW, THEREFORE, pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. Commonwealth Insurance Company of America is ordered to pay a fine in the amount of \$5,000 (five thousand dollars).
2. \$5,000 (five thousand dollars) must be paid in full within thirty days of the date of entry of this order. Failure to pay this fine and to adhere to the conditions shall constitute grounds for revocation of Commonwealth's

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Certificate of Authority, and in the recovery of the fine through a civil action brought on behalf of the commissioner by the attorney general.

ENTERED AT TUMWATER, WASHINGTON this 14th day of December, 2005.

Mike Kreidler
Washington State Insurance Commissioner

By: Andrea L. Philhower
Andrea L. Philhower
Staff Attorney, Legal Affairs Division